

106TH CONGRESS  
2D SESSION

# H. R. 4666

To amend the Internal Revenue Code of 1986 to permit financial institutions to determine their interest expense deduction without regard to tax-exempt bonds issued to provide certain small loans for health care or educational purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

JUNE 14, 2000

Mr. NUSSLE introduced the following bill; which was referred to the  
Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to permit financial institutions to determine their interest expense deduction without regard to tax-exempt bonds issued to provide certain small loans for health care or educational purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. BANK DEDUCTIBILITY OF SMALL, TAX-EXEMPT**  
4               **DEBTS.**

5           (a) IN GENERAL.—Section 265(b)(3) of the Internal  
6       Revenue Code of 1986 (relating to exception for certain

1 tax-exempt obligations) is amended by adding at the end  
 2 the following:

3 “(G) ELECTION TO APPLY LIMITATION ON  
 4 AMOUNT OF OBLIGATIONS AT BORROWER  
 5 LEVEL.—

6 “(i) IN GENERAL.—An issuer, the  
 7 proceeds of the obligations of which are to  
 8 be used to make or finance eligible loans,  
 9 may elect to apply subparagraphs (C) and  
 10 (D) by treating each borrower as the issuer  
 11 of a separate issue.

12 “(ii) ELIGIBLE LOAN.—For purposes  
 13 of this subparagraph—

14 “(I) IN GENERAL.—The term ‘el-  
 15 igible loan’ means one or more loans  
 16 to a qualified borrower the proceeds of  
 17 which are used by the borrower for  
 18 health care or educational purposes  
 19 and the outstanding balance of which  
 20 in the aggregate does not exceed  
 21 \$10,000,000.

22 “(II) QUALIFIED BORROWER.—  
 23 The term ‘qualified borrower’ means a  
 24 borrower which is an organization de-  
 25 scribed in section 501(c)(3) and ex-

1                   empt from taxation under section  
2                   501(a).

3                   “(iii) MANNER OF ELECTION.—The  
4                   election described in clause (i) may be  
5                   made by an issuer for any calendar year at  
6                   any time prior to its first issuance during  
7                   such year of obligations the proceeds of  
8                   which will be used to make or finance one  
9                   or more eligible loans.

10                  “(iv) MODIFICATION OF RULE FOR  
11                  COMPOSITE ISSUES.—In the case of an ob-  
12                  ligation which is issued by any issuer  
13                  which has made the election described in  
14                  clause (i), subparagraph (F) shall be ap-  
15                  plied without regard to clause (i) of such  
16                  subparagraph.”

17                  (b) EFFECTIVE DATE.—The amendment made by  
18                  subsection (a) shall apply to taxable years beginning after  
19                  December 31, 2000.

○